

Testimony of Mr. Jim Jonas
President
Building Owners and Managers Association of Metro Detroit
Joint Meeting of the House Tax Policy and Senate Finance Committees
Oakland County

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Good afternoon committee members and thank you for this opportunity to address you regarding this important issue.

Before I address the SBT proposal specifically, I would like to give you a background on BOMA. The Building Owners and Managers Association was founded in 1908 and is comprised of over 400 member companies representing over 250 million square feet of office space in southeast Michigan. Among our most recognizable member-owners are Schostak Company, Redico, Kajoian Companies, Grubb & Ellis, Trammel-Crowe, and Signature Associates.

BOMA members represent every aspect of our industry from building owners, managers, brokers, and various suppliers including landscapers, roofers, janitorial services, utilities, construction firms and architects. We are primarily comprised of business owners who have made the choice to invest in our state and create jobs.

While we understand the pressures and challenges of the state's economy over the past three fiscal years, and applaud the Governor for her attempts to ease the tax burden on some businesses to spur job growth, the proposal goes one step too far by attempting to offset lost revenue by increasing taxes and costs on other sectors of our state's economy.

We agree the manufacturing sector has suffered in recent months and is need of relief. However, relief should be provided equally to all Michigan businesses as other sectors have suffered as well during this economic downturn. In fact, our industry has also suffered during these trying economic times as businesses close leaving BOMA members with vacancy rates in some cities as high as 30-35%.

We believe the proposal, as introduced, will substantially increase the tax burden on our industry, increase insurance costs by instituting a 2% premiums tax while simultaneously eliminating several long-standing provisions of the SBT that reduce the tax burden on many small businesses.

However, of most concern to BOMA, are HB 4477 and SB 295. These bills aim to eliminate the so-called 'additions and losses' section of the state property tax code—a provision upheld in 2002 by the Michigan Supreme Court.

The impacts of its elimination to our industry are severe, direct and immediate. BOMA estimates the tax burden on property owners to increase by at least \$60-80 million in the first year alone equating to approximately 30 cents per square foot. These are costs that owners will have no choice but to pass on to the many small businesses leasing space in our facilities.

BOMA is also very concerned with the proposed 2% tax on insurance premiums. BOMA members pay significant insurance costs associated with liability, fire, vandalism, and other

business insurance needs. This immediate 2% increase is yet another onerous cost that will doubtless be passed along to our customers -- Michigan businesses-- and add to further erosion of Michigan's economic stability. In fact, we estimate the insurance premium tax will equate to approximately 30 to 50 cents per square foot.

I would now like to introduce you to Mr. Jim Ezzo (TITLE), who will more specifically address the proposal from the supplier side of the industry as well as speak to the alternative plans being discussed by some policy-makers in Lansing. EZZO TESTIMONY REGARDING IMPACT ON SMALL BUSINESS AND SALES TAX PROPOSAL.

The point of Mr. Ezzo's testimony is that many businesses will be impacted by the plan beyond just building owners. In addition, the alternative to the plan expanding the sales tax to services will be just as harmful to our industry.

In summation, increased costs to business and an immediate increase in property taxes are inconsistent with this legislature's stated goals of improving Michigan's business climate. We believe this proposal benefits one sector of the business community at the expense of the other with the stated goal of revenue neutrality. If so, it begs the question "what have we gained by adopting this proposal?"

We have estimated that all the provisions in the proposal, taken together, could equate to a square footage cost increase of up to one dollar per square foot. This is a cost that will be paid by the Michigan businesses that the legislature is purporting to assist. As you can see, there can be very real and significant negative impacts caused by the adoption of this proposal.

Certainly, the manufacturing industry has been battered in recent months and is need of relief. However, we argue that this relief should be delivered to all businesses—not a select few.

We urge you to consider other remedies to economy and state budget woes such as making hard choices to reduce the budget, enact incentives to retain population as well as enacting legislation addressing concerns raised by the Supreme Court and returning the real estate tax appeal process to its prior methods

While we applaud the Governor for her earnest efforts to assist Michigan business, BOMA strongly urges you to continue to explore other proposals that equally reduce business taxes and costs for all Michigan job providers.

Again, thank you committee members for this opportunity and we look forward to answering any questions you may have regarding this issue.